



Treasury Trends

Bringing currency to the Arizona State Agencies

David A. Petersen, State Treasurer

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**This month's
character trait ---**

***Punctuality:
Showing esteem for
others by doing the
right thing at the
right time.***

***All Agency Pools
continue to
increase yields to
Agency depositors***

***Agencies II or
Pool 3
Diversified Asset
Mix pool***

Agency Pool Performance

The Board of Investment, in the regular meeting held on February 15, 2006 was informed of the performance of the Agency Pools. As shown in the table below, rising interest rates have translated into higher yields on agency pools.

Yields	State Agencies I (Pool 2)	State Agencies II (Pool 3)	State Agencies III (Pool 6)	State Agencies IV (Pool 8)
Pool size →	\$595 Million	\$2.273 Billion	\$18 Million	\$228 Million
Jan '06	3.74%	4.14%	4.11%	4.11%
Dec '05	3.59%	4.00%	4.06%	3.92%
Nov '05	3.55%	3.85%	3.92%	3.84%
Oct '05	3.30%	3.67%	3.61%	3.61%
Sept '05	3.21%	3.55%	3.47%	3.42%
Aug '05	3.12%	3.40%	3.38%	3.25%
July '05	2.91%	3.20%	3.14%	3.05%
June '05	2.71%	3.09%	2.93%	2.90%
May '05	2.63%	2.83%	2.87%	2.85%
Apr '05	2.68%	2.94%	2.66%	2.73%
Mar '05	2.52%	2.79%	2.50%	2.53%
Feb '05	2.64%	2.84%	2.42%	2.45%

Pool Perspective – State Agencies II (Pool 3)

State Agencies II or Pool 3 is used by State Agencies whose investment parameters allow for a diversified mix of fixed income vehicles. Investments include overnight repurchase agreements (repo), high quality (A1/P1 or higher) commercial paper (CP), mortgages, corporate and Treasury issues. The final maturity (or average life based on Bloomberg pre-payment estimates for mortgages) on any bond cannot exceed 5 years. Due to the diversified nature of the pool, yields tend to be consistently higher than Pool 2, which invests only in U.S. Treasury securities. This pool is ideal for agencies where the authority to invest references ARS §35-312 or ARS §35-313. Only participants considered to be part of the State's reporting entity will be allowed to participate in this pool. Pool 3 is currently managed by Tim White, Sr. Portfolio Manager, who has been with the Treasurer's Office over 12 years.

**Lorraine Jones:
Punctual “big-
spender”**

**Invested balance
is not the same as
the general fund
balance**

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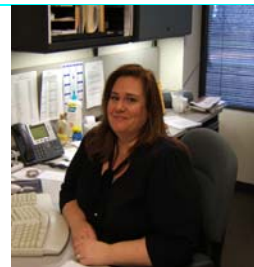
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ASTO Treasury Employee Spotlight

Lorraine Jones – Receipting/Distributions Department

Many people have their special talents and “claims to fame.” In this particular situation, Lorraine has to be one of Arizona’s biggest “spenders.” Her job is to send distributions to cities, towns, counties, schools, and many other entities. Lorraine, in an average month, “spends” over \$700 million dollars. With almost 16 years at the Treasury, Lorraine has honed her ability to distribute state revenues to an art. It is amazing to see how proficiently she “spends” state funds by sending out distributions so they reach their destinations on or before the statutory deadlines.



Operating Monies vs General Fund

One of the more frequent questions asked, after our initial issue, was the difference between the general fund balance and the Arizona State Treasurer’s Office (ASTO) invested balance. The ASTO is tasked with receiving, managing, and disbursing all monies of the Arizona State Government. The “managing” function includes investing the funds in a prudent manner based upon the principles of safety, liquidity, and yield (SLY). Daily, ASTO staff determines how much money is held in the bank and investment accounts. These funds include general appropriation funds, bond proceeds, tax receipts, etc. In short, every bit of cash under the control of the Treasury. The total amount is then invested with the intent of earning additional revenues for the general fund and state agencies. The general fund balance and invested balance have very little in common. The ASTO invested balance will include some funds not carried in the general fund, such as bond/capital financing proceeds, funds for state warrants written but not yet tendered, and funds remitted to the ASTO but not yet recorded by the agencies. All of those funds are captured and invested in the various ASTO pools, sometimes as short as over night, for the benefit of the State. As of January 31, for the 05/06 fiscal year, agencies and local governments have received over \$109 Million in earnings from the ASTO. Additionally, the general fund has received almost \$36 Million in earnings, a change of 167% over the previous FYTD.

Operating Monies Perspective

Average Invested Balance (in Millions of dollars)			
Month	2003/2004	2004/2005	2005/2006
July	913	1291	1922
August	731	1096	1707
September	995	1265	1844
October	1145	1270	1959
November	1165	1342	2018
December	1232	1473	2129
January	1393	1745	2524
February	1481	1780	
March	1340	1677	
April	1234	1661	
May	1320	1746	
June	1418	1970	
FYTD Avg	1197	1526	2015